



# Town of Blowing Rock

1036 Main Street ★ Post Office Box 47 ★ Blowing Rock, North Carolina 28605

To: Scott Fogleman, Mayor Lawrence and Members of Town Council  
From: Nicole M. Norman, Finance Officer  
Subject: Public Works Warehouse Project Funding  
Date: February 10, 2015

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Upon receipt of Construction bids for the Public Works Warehouse project on Tuesday, February 3, 2015 three area banks were contacted to get a market indication for project financing parameters. It was concluded that the Town may realize an interest rate somewhere near 3.14% and can expect repayment terms of 15 years or less, with payments semi-annually. This structure would require, with payments of level principal plus interest, an approximate \$160,000 debt service payment annually, with the first payment not coming due until November 2015 or later. Specific funding sources for this debt service payment will be identified during the FY 2016 budget process with some or all of the payment funded with new tax revenue and possibly some portion with new utility system revenue since the facility also supports water and sewer operations.

Upon receipt of construction bids for the project, the total cost of the project is estimated to total \$1,700,580 (\$1,450,880 construction, \$76,500 design, \$72,000 bidding and construction administration and \$75,000 for 5% contingency, \$25,000 for capital equipment and \$1,200 LGC application fee). Due to the size of the project (greater than \$1,000,000) a Local Government Commission (LGC) application is necessary, making the pre-construction funding process consist of the following: a letter from the Town to the Joint Legislative Committee must be sent no later than 45 days prior to the meeting of the LGC where our project application will be reviewed for approval, a public hearing must be held and publicized 10 calendar days prior to the hearing, a resolution must be approved by Town Council, and an LGC project application (\$1,200 application fee) must be submitted no later than 28 days prior to the LGC meeting where our project application will be reviewed for approval (this will include an attorney opinion letter and engineer/architect letter on permits necessary for the project), bank bids will also need to be solicited and a bid selected.

Based on this process, the Town could expect to have its application reviewed during the April 7<sup>th</sup> LGC meeting, with approval shortly after. Should Council decide to move forward with bid award at this time, the following timeline is anticipated.

## Summary Schedule

February 10, 2015- Conditional bid award approval to low bidder

February 15, 2015- Letter to Joint Legislative Committee

February 16, 2015- Request for Financing Bids released

February 23, 2015- Financing Bids due

February 24, 2015- Notice of Public Hearing to paper for the March 10, 2015 Town Council Meeting

February 26, 2015- Notice of Public Hearing published

March 10, 2015- Public Hearing, Financing package approval by Town Council, \*additional appropriation budget amendment & resolution approval by Town Council

March 11, 2015- Project Application complete and mailed same day mail to LGC

April 7, 2015- LGC Meeting -Project Application review shortly thereafter

Following LGC application approval, the bid award would be confirmed and contracts signed accordingly. Construction would then be allowed to begin. The estimated construction duration is 10 months.

\* Total additional funding needed beyond the \$1,200,000 already included in the FY 2015 budget totals \$500,580. While the total \$1,200,000 has been budgeted in the General fund, it is anticipated proposed to fund 75% of the project from the General Fund and the remaining 25% from the Water/Sewer Fund since the warehouse will support approximately 25% Water/Sewer field operations related functions. The breakdown of total project costs for the General and Water/Sewer Fund will be \$1,275,435 and \$425,145 respectively. This will require an additional appropriation in the general fund of \$75,435 and an additional appropriation in the Water/Sewer Fund of \$425,145 all of which will be funded via loan proceeds. Debt service will also be divided in same manner. Annual requirements will be approximately \$120,000 and \$40,000 respectively for General and Water/Sewer Fund.

Following bid receipt, discussions with Enterline & Russell regarding significant ways to possibly reduce the project cost have taken place. These discussions have not yet revealed any major savings. We are considering taking out the epoxy floor coating on the service floor and wash bay areas to save \$16,250. These discussions will continue as the process moves forward.